

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4865-01
Bill No.: HB 2000
Subject: Public Service Commission; Utilities
Type: Original
Date: January 30, 2018

Bill Summary: This proposal changes the law regarding the Public Service Commission.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	\$0 or (Greater than \$77,142)	\$0 or (Greater than \$88,082)	\$0 or (Greater than \$88,926)
Total Estimated Net Effect on General Revenue	\$0 or (Greater than \$77,142)	\$0 or (Greater than \$88,082)	\$0 or (Greater than \$88,926)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Public Service Commission Fund	\$0 or (\$69,579)	\$0 or (\$81,160)	\$0 or (\$81,934)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or (\$69,579)	\$0 or (\$81,160)	\$0 or (\$81,934)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
Public Service Commission Fund	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
Total Estimated Net Effect on FTE	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Division of Energy (DE)** participate in PSC regulatory cases to evaluate issues from a formal state policy and planning perspective consistent with its interests in clean, affordable, abundant energy, and its efficient use. The Comprehensive State Energy Plan prepared by DE in 2015 recommends reforming Missouri's utility ratemaking process and exploring mechanisms related to grid modernization activities and new business models and is engaged in discussions surrounding these efforts.

DE assumes section 393.1160 of this provision makes the policy of the state for the Public Service Commission to support expenditures by electric utilities that maintain or improve the reliability, safety, security, efficiency or automation of electric infrastructure. DE would be involved in the rulemaking docket(s) to implement rate adjustment mechanisms authorized by this section, including but not limited to, mechanisms to promote the modernization and replacement of infrastructure, as well as tariff cases where the new provisions, such as partially forecasted test years, or other mechanisms not specifically authorized by statute, would be implemented.

The Division of Energy assumes there would be a fiscal impact to DE due to the provisions in this bill because of DE's involvement in cases before the Public Service Commission. DE staff will actively participate in cases before the PSC where the provisions of this bill are considered and implemented. DE assumes it would need 1.0 FTE Planner III at \$55,368 annually to complete new duties including initially participating in rulemakings and other proceedings where rate adjustment mechanisms or other provisions are implemented. On an ongoing basis, this FTE will monitor and evaluate the impact of the proposed grid modernization provisions and perform specialized professional work in planning and policy development.

Since it is unknown the degree in which the regulated utilities will seek to exercise these policies, **Oversight** will range the fiscal impact to the DE as \$0 (no new FTE is required) or \$77,142 (1 new FTE is required) in FY 2019, \$0 or \$88,082 in FY 2020 and \$0 or \$88,926 in FY 2021 to provide for the implementation of the changes in this proposal.

Officials from the **Department of Economic Development - Office of Public Counsel (OPC)** state section 393.1160 seeks to permit the Public Service Commission electric consumers to enter into purchase power contracts with independent producers and then require Investor Owned Utilities (IOUs) to take those contracts.

ASSUMPTION (continued)

The other element of this bill reflecting policy goals of implementing the "latest technologies to meet the needs and expectations" of customers could be a point of contention in rate cases should IOUs seek to prematurely retire and replace functional plant assets.

Given the experience of OPC on time spent litigating existing revenue adjustment mechanisms, the potential for appellate work, and the amount of customers who would seek such a mechanism, such a bill would likely require no additional resources to potentially requiring an additional accountant/auditor at \$50,112 annually.

Since it is unknown the degree in which the regulated utilities will seek to exercise these policies, **Oversight** will range the fiscal impact to the OPC as \$0 (no new FTE is required) to \$69,579 in FY 2019 (1 new FTE is required), \$0 or 81,160 in FY 2020 and \$0 or \$81,934 in FY 2021.

Officials from the **Department of Economic Development - Public Service Commission**, the **Office of the Secretary of State** and the **Joint Committee on Administrative Rules** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight assumes the state and local political subdivisions could see an increase in overall utility rates based on this legislation and will reflect a \$0 (no increase in rates) to negative unknown cost to the General Revenue Fund and the Local Political Subdivisions.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Cost - DED - Division of Energy</u>			
Personal Service	\$0 or (\$46,140)	\$0 or (\$55,922)	\$0 or (\$56,481)
Fringe Benefits	\$0 or (\$22,694)	\$0 or (\$27,397)	\$0 or (\$27,563)
Equipment and Expense	<u>\$0 or (\$8,308)</u>	<u>\$0 or (\$4,763)</u>	<u>\$0 or (\$4,882)</u>
<u>Total Cost - DE</u>	<u>\$0 or (\$77,142)</u>	<u>\$0 or (\$88,082)</u>	<u>\$0 or (\$88,926)</u>
FTE Change - DE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
<u>Cost - Statewide Departments</u>	<u>\$0 or</u>	<u>\$0 or</u>	<u>\$0 or</u>
Possible increase in utility cost	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0 or (Greater than \$77,142)</u>	<u>\$0 or (Greater than \$88,082)</u>	<u>\$0 or (Greater than \$88,926)</u>
Estimated Net FTE Change to the General Revenue Fund	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
PUBLIC SERVICE COMMISSION FUND			
<u>Cost - OPC</u>			
Personal Service	\$0 or (\$41,760)	\$0 or (\$50,613)	\$0 or (\$51,119)
Fringe Benefits	\$0 or (\$21,393)	\$0 or (\$25,820)	\$0 or (\$25,970)
Equipment and Expense	<u>\$0 or (\$6,426)</u>	<u>\$0 or (\$4,727)</u>	<u>\$0 or (\$4,845)</u>
<u>Total Cost - OPC</u>	<u>\$0 or (\$69,579)</u>	<u>\$0 or (\$81,160)</u>	<u>\$0 or (\$81,934)</u>
FTE Change - OPC	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
ESTIMATED NET EFFECT TO THE PUBLIC SERVICE COMMISSION FUND	<u>\$0 or (\$69,579)</u>	<u>\$0 or (\$81,160)</u>	<u>\$0 or (\$81,934)</u>
Estimated net FTE Change to the Public Service Commission Fund	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost</u>	<u>\$0 or</u>	<u>\$0 or</u>	<u>\$0 or</u>
Possible increase in utility cost	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>

FISCAL IMPACT - Small Business

Small businesses receiving public utility service from a Public Service Commission regulated utility could see an increase in overall utility rates for electric service.

FISCAL DESCRIPTION

This bill states that it shall be the policy of the state to support electrical corporations in their endeavors to maintain and improve service and related infrastructure, and to meet the needs and expectation of customers. In furtherance of such policies the bill then authorizes the Public Service Commission to approve rate adjust mechanisms not otherwise permitted by statute including, but not limited to, power purchase agreements, and mechanisms that encourage infrastructure modernization and replacement. However, the commission shall lack the ability to alter the use of a utility's mechanism over its specified term of approval.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Office of the Secretary of State
Joint Committee on Administrative Rules

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

Acting Director
January 30, 2018